

Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 NEAE-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

FS-01 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 AGR-20 SCI-06 L-03 H-03 IGA-02

SSO-00 NSCE-00 INRE-00 DRC-01 ABF-01 /166 W

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 8163

LIMITED OFFICIAL USE NEW DELHI 13993

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJ: RUPEES; EXCHANGE RATE FOR CONVERSIONS

1. KRISHNASWAMI HAS JUST PROVIDED US WITH SUGGESTED NEW LANGUAGE FOR PARA 6(A) OF PART I OF RUPEE AGREEMENT DEALING WITH EXCHANGE RATE FOR CONVERSIONS FROM U.S. COOLEY HOLDINGS. IN MAKING REVISION KRISHNASWAMI SAID RESERVE BANK OF INDIA (RBI) BELIEVED THAT WORDING OF PAR 6(A) IN EMBASSY'S NOV 23 DRAFT IMPLIED ALL RATES QUOTED FOR CONVERSION OF RUPEES INTO DOLLARS ON ANY PARTICULAR DATE WOULD HAVE TO BE ASCERTAINED AND THE MOST FAVORABLE AMONG THEM WOULD HAVE TO BE CHOSEN. ACCORDING TO AN RBI PAPER ON THE SUBJECT, "THIS WILL BE CUMBERSOME AND WILL, IN FACT, BE UNWORKABLE". REDRAFT SEEMS REASONABLE, AND WE NOTE THAT IT INCLUDES MFN AND OTHER LANGUAGE USED IN LOAN AGREEMENTS.

2. WORDING OF GOI SUGGESTED REDRAFT AS FOLLOWS:

"6(A). IN SATISFACTION OF THE CONVERSION OBLIGATIONS CONTAINED IN THE AGREEMENTS LISTED IN ANNEX IV, THE GOVERNMENT OF INDIA WILL EXCHANGE RUPEES HELD IN THE COOLEY ACCOUNT FOR UNITED
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STATES DOLLARS IN AN AMOUNT EQUAL TO \$64 MILLION, IN TEN EQUAL

INSTALMENTS, ON THE FIRST BUSINESS DAY IN INDIA OF JULY OF
CALENDAR YEARS 1974 THROUGH 1983. THE APPLICABLE EXCHANGE
RATE FOR THIS PURPOSE SHALL BE THE RATE DERIVED BY MULTIPLYING
THE SELLING RATE FOR THE UNITED STATES DOLLAR IN TERMS OF THE
POUND STERLING IN LONDON ON THE LAST PRECEDING WORKING DAY
BY THE RESERVE BANK'S SELLING RATE FOR STERLING AT BOMBAY
ON THAT DATE PROVIDED THAT IF ON ANY CONVERSION DATE THE
APPLICABLE EXCHANGE RATE CANNOT BE SO DERIVED THE APPLICABLE
RATE SHALL BE THE RATE WHICH IS NOT LESS FAVORABLE TO THE
GOVERNMENT OF THE UNITED STATES THAN THE HIGHEST OF EXCHANGE
RATES LEGALLY OBTAINABLE IN INDIA AND WHICH IS NOT LESS
FAVORABLE TO THE GOVERNMENT OF THE UNITED STATES THAN THE
HIGHEST OF EXCHANGE RATES OBTAINABLE BY ANY OTHER NATION".

3. WE WOULD APPRECIATE WASHINGTON COMMENTS ON THIS PARA AS
SOON AS POSSIBLE.

4. RBI PAPER ON THIS SUBJECT BEING TRANSMITTED SEPTTEL.

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